101ST CONGRESS
2d Session

SENATE

REPORT
101-427

HONEST BUDGET/BALANCED BUDGET ACT

REPORT

OF THE

COMMITTEE ON THE BUDGET
UNITED STATE SENATE

TO ACCOMPANY

S. 101

together with

ADDITIONAL AND MINORITY VIEWS

To mandate a balanced budget to provide for the reduction of the national debt, to protect retirement funds, to require honest budgetary accounting, and for other purposes.

AUGUST 4 (legislative day, JULY 10), 1990.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

39-010 WASHINGTON : 1990

S253-3

COMMITTEE ON THE BUDGET

JIM SASSER, Tennessee, *Chairman*

ERNEST F. HOLLINGS, South Carolina
J. BENNETT JOHNSTON, Louisiana
DONALD W. RIEGLE, JR., Michigan
J. JAMES EXON, Nebraska
FRANK R. LAUTENBERG, New Jersey
PAUL SIMON, Illinois
TERRY SANFORD, North Carolina
TIMOTHY WIRTH, Colorado
WYCHE FOWLER, JR., Georgia
KENT CONRAD, North Dakota
CHRISTOPHER J. DODD, Connecticut
CHARLES S. ROBB, Virginia

PETE V. DOMENICI, New Mexico
WILLIAM L. ARMSTRONG, Colorado
RUDY BOSCHWITZ, Minnesota
STEVE D. SYMMS, Idaho
CHARLES E. GRASSLEY, Iowa
ROBERT W. KASTEN, JR., Wisconsin
DON NICKLES, Oklahoma
WARREN RUDMAN, New Hampshire
PHIL GRAMM, Texas
CHRISTOPHER BOND, Missouri

JOHN L. HILLEY, *Staff Director*
WILLIAM G. DAUSTER, *Chief Counsel*
G. WILLIAM HOAGLAND, *Minority Staff Director*
AUSTIN SMYTHE, *Senior Minority Analyst for Budget Process*

CONTENTS

	Page
I. Summary of the Legislation	5
II. Need for Legislation	5
III. History of S. 101	6
IV. Section-by-Section Analysis	6
Section 1. Short Title	6
Title I—Operating Budget, Retirement Funds Budget, and Debt and Interest Budget:	
Section 101. Operating Budget, Retirement Funds Budget, and Debt and Interest Budget in the President's Budget	7
Section 102. Reporting of Tranfers Among Budgets	8
Section 103. Operating Budget, Retirement Funds Budget, and Debt and Interest Budget in the Congressinal Budget	9
Section 104. Conforming Change	9
Title II—Balanced Operating Budgets:	
Sectiom 201. Point of Order Against Unbalanced Operating Budgets	9
Section 202. Point of Order Against Legislation that Would Cause an Operating Deficit	10
Section 203. Prohibition of Counting as Savings the Transfer of Government Actions from One Year to Another	10
Section 204. President's Operating Budget Must Be Balanced	10
Section 205. Effective Date	10
Title III—Trust Fund for the Reduction of the Deficit and Public Debt:	
Section 301. Public Debt Reduction Policy	11
Title IV—Definition of the Deficit	
Section 401. Definition of "Deficit"	11
V. Roll-Call Vote in Committee	12
VI. Joint Referral Under the Standing Order	12
VII. Regulatory Impact	13
VIII. Cost Estimate	13
IX. Additional Views	15
X. Changes in Existing Law	19
Title 31 of the United States Code	19
Chapter Analysis	19
31 U.S.C. §1105	19
Congressional Budget and Impoundment Control Act of 1974	26
Section 3(6)	26
Section 301(a)	27
Section 301(i)	27
Section 311(a)	29
Balanced Budget Emergency Deficit Control Act of 1985	29
Section 275(b)	29
Public Law 100-119	30
Section 202	30
42 U.S.C. § 911	30

101ST CONGRESS
2d Session

SENATE

REPORT
101-427

HONEST BUDGET/BALANCED BUDGET ACT

AUGUST 4 (legislative day JULY 10), 1990.—Ordered to be printed

Mr. SASSER, from the Committee on the Budget, submitted the following

REPORT

together with

ADDITIONAL AND MINORITY VIEWS

[To accompany S. 101]

The Committee on the Budget submits the following report, accompanying S. 101.

The Committee on the Budget ordered reported S. 101 with an amendment in the nature of a substitute, which, if adopted, would cause the bill to read as follows:

To mandate a balanced budget, to provide for the reduction of the national debt, to protect retirement funds, to require honest budgetary accounting, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Honest Budget/Balanced Budget Act".

TITLE I—OPERATING BUDGET, RETIREMENT FUNDS BUDGET, AND DEBT AND INTEREST BUDGET

SEC. 101. OPERATING BUDGET, RETIREMENT FUNDS BUDGET, AND DEBT AND INTEREST BUDGET IN THE PRESIDENT'S BUDGET.

(a) UNIFIED BUDGET.—Chapter 11 of title 31, United States Code, is amended by inserting after section 1105 the following new section:

§ 1105a. Operating budget, retirement funds budget, and debt and interest budget

"(a) The budget of the United States Government submitted by the President under section 1105 of this title shall be a unified budget composed of—

"(1) an operating budget;

"(2) a retirement funds budget; and

"(3) a debt and interest budget.

The President's budget submission shall present these three budgets separately.

"(b) For the purposes of this section—

"(1) the unified budget shall include all receipts and expenditures for Federal funds and trust funds consolidated to display totals for the Federal Government as a whole;

"(2) the operating budget shall include all receipts and expenditures of all Federal entities, other than those in the retirement funds budget and the debt and interest budget, and any expenditures from the preceding fiscal year in excess of the maximum deficit amount;

"(3) the retirement funds budget shall include receipts and expenditures for—

"(A) the Federal Old-Age and Survivors Insurance Trust Fund;

"(B) the Federal Hospital Insurance Trust Fund;

"(C) the Civil Service Retirement and Disability Fund;

"(D) the Military Retirement Fund;

"(E) the Federal Supplementary Medical Insurance Trust Fund;

"(F) the Federal Disability Insurance Trust Fund;

"(G) the Railroad Retirement Fund; and

"(H) such other funds or accounts that the Director of Management and Budget (in cooperation with the Comptroller General, the Director of the Congressional Budget Office, and the Chairmen and the Ranking Minority Members of the Committees on the Budget of the Senate and the House of Representatives) determines should be classified as retirement trust funds in order to fulfill the purposes of this section; and

"(4) the debt and interest budget shall include receipts and expenditures for—

"(A) reductions or increases in the public debt;

"(B) interest on the public debt; and

"(C) in times of declared war on declared recession pursuant to section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985, inter-fund transfers to the operating budget.".

(b) AMENDMENT TO THE CHAPTER ANALYSIS.—The chapter analysis for chapter 11 of title 31, United States Code, is amended by adding after the item for section 1105 the following:

"1105a. Operating budget, retirement funds budget, and debt and interest budget.".

SEC. 102. REPORTING OF TRANSFERS AMONG BUDGETS.

Section 1105(a) of title 31, United States Code, is amended by inserting at the end thereof:

"(26) inter-fund transfers between the operating budget and the debt and interest budget.".

SEC. 103. OPERATING BUDGET, RETIREMENT FUNDS BUDGET, AND DEBT AND INTERESTS BUDGET IN THE CONGRESSIONAL BUDGET.

Section 301(a) of the Congressional Budget Act of 1974 is amended by inserting after "ensuring fiscal years," the following: "for the operating budget, the retirement funds budget, and the debt and interest budget (as defined in 31 U.S.C. section 1105a), respectively,".

SEC. 104. CONFORMING CHANGE.

Section 710(a) of the Social Security Act is amended by inserting "operating" after "the totals of the".

TITLE II—BALANCED OPERATING BUDGETS

SEC. 201. POINT OF ORDER AGAINST UNBALANCED OPERATING BUDGETS.

Section 301(i) of the Congressional Budget Act of 1974 is amended by striking paragraph (2) and inserting in lieu thereof:

"(2)(A) Except as provided in paragraph (3), it shall not be in order in either the House of Representatives or the Senate to consider any concurrent resolution on the budget for a fiscal year under this section, or to consider any amendment to such a concurrent resolution, or to consider a conference report on such a concurrent resolution, if the level of operating budget outlays for such fiscal year that is set forth in such concurrent resolution or conference report exceeds the recommended level of operating revenues set forth for that year, or if the adoption of such amendment would result in a level of operating budget outlays for that fiscal year that exceeds the recommended level of operating revenues for that fiscal year.

"(B) In the House of Representatives the point of order established under subparagraph (A) with respect to the consideration of a conference report or with respect to the consideration of a motion to concur, with or without an amendment or amendments, in a Senate amendment, the stage of disagreement having been reached, may be waived only by a vote of three-fifths of the Members present and voting, a quorum being present.

"(3) This subsection shall not apply if a declaration of war by the Congress is in effect.

"(j) BUDGET LEVELS DETERMINED BY THE BUDGET COMMITTEE.—For the purposes of this section, the levels of new budget authority, spending authority as described in section 401(c)(2), outlays, and new credit authority for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.".

SEC. 202. POINT OF ORDER AGAINST LEGISLATION THAT WOULD CAUSE AN OPERATING DEFICIT.

Section 311(a) of the Congressional Budget Act of 1974 is amended—

(1) in the matter after paragraph (3) by inserting before "or, in the Senate" the following: "Or would cause operating budget outlays to exceed operating budget revenues"; and

(2) in the matter following subparagraph (B) by striking "paragraph (2) of such section" and inserting "paragraph (3) of such section".

SEC. 203. PROHIBITION OF COUNTING AS SAVINGS THE TRANSFER OF GOVERNMENT ACTIONS FROM ONE YEAR TO ANOTHER

(a) ELIMINATING EXCEPTIONS.—Section 202 of the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 is amended by—

(1) striking "(a) IN GENERAL.—Except as otherwise provided in this section, any" and inserting "Any";

(2) striking "altering" and inserting "reducing"; and

(3) striking subsection (b).

(b) CONFORMING AMENDMENT.—Section 251(a)(6)(K) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking "except to the extent provided in such section".

SEC. 204. PRESIDENT'S OPERATING BUDGET MUST BE BALANCED.

Section 1105(f) of title 31, United States Code, is amended—

(1) in paragraph (1), by inserting before the period "using a budget baseline estimate made in accordance with section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985";

(2) in paragraph (2), by inserting before the comma "using a budget baseline estimate made in accordance with section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985";

(3) by striking paragraph (3) and inserting in lieu thereof the following:

"(3) In the operating budget in the budget so transmitted for any fiscal year, revenues shall equal outlays, with revenues and outlays at such levels as the President may consider most desirable and feasible. To the extent that gross revenues exceed gross outlays, the President shall indicate such surplus as an inter-fund transfer to the debt and interest budget."; and

(4) by striking paragraph (4) and redesignating paragraph (5) as paragraph (4).

SEC. 205. EFFECTIVE DATE.

This title shall take effect on the date of enactment of this title with respect to fiscal year 1991 and all subsequent fiscal years.

TITLE III—TRUST FUND FOR THE REDUCTION OF THE DEFICIT AND PUBLIC DEBT

SEC. 301. DEFICIT AND PUBLIC DEBT REDUCTION POLICY.

It is the policy of the United States that—

(1) not later than September 30, 1990, the Congress shall amend the Internal Revenue Code to establish a special debt retirement tax or taxes dedicated to the reduction of the deficit and the public debt, or earmark an existing tax or taxes for that purpose;

(2) the revenues collected from the deficit and debt retirement tax shall be especially titled so that citizens may be aware of their purpose;

(3) the revenues collected for the deficit and debt retirement tax shall be deposited to a separate trust fund account;

(4) the trust fund shall be used only for the reduction of the deficit and the retirement of public debt;

(5) the Secretary of the Treasury shall administer the account with the advice of a bipartisan board consisting of the Secretary of the Treasury, as chairman, the Chairman and Ranking Minority Members of the Committee on Finance, the Committee on Ways and Means, and the Committees on the Budget of the Senate and the House of Representatives, and the Chairman of the Federal Reserve Board; and

(6) any deficit reduction and debt retirement tax enacted shall expire upon the elimination of the deficit and the reduction of the public debt to a target level of not more than 20 percent of the average Gross National Product over the previous 3 years.

TITLE IV—DEFINITION OF DEFICIT

SEC. 401. DEFINITION OF "DEFICIT".

Section 3 of the Congressional Budget Act of 1974 is amended by striking paragraph (6) and inserting in lieu thereof:

"(6) The term 'deficit' means, with respect to any fiscal year, the amount by which combined budget outlays for the operating and debt and interest budgets for such fiscal year exceed combined revenues for the operating and debt and interest budgets for such fiscal year. Amounts paid by the Federal Financing Bank for the purchase of loans made or guaranteed by any department, agency, or instrumentality of the Government of the United States shall be treated as outlays of such department, agency, or instrumentality.".

I. Summary of the Legislation

On July 25, 1990, on the motion of Senator Terry Sanford, by a vote of 17 to 5, the Committee on the Budget ordered reported S. 101, the "Honest Budget/Balanced Budget Act," with an amendment in the nature of a substitute. S. 101 (as amended by the substitute) restructures the budget into three component parts: an operating budget, a retirement funds budget, and a debt and interest budget. It then requires that the Government balance its operating budget and creates new points of order to enforce that balance. S. 101 requires the President's budget submission to meet Gramm-Rudman-Hollings targets without using assets sales or shifts from one year to another and also tightens the prohibition of Congress' using shifts from one year to another, as well. S. 101 calls for the establishment of a trust fund to reduce the public debt.

II. Need for Legislation [1]

The surpluses that the Government accumulates in retirement trust funds mask the true size of the deficit in the operating

[1] For a fuller statement of the need for the legislation, see the additional views of Senator Sanford below.

budget. This minimizing of the deficit leads the Nation to run larger deficits than it otherwise would and thus to increase the debt faster than it otherwise would. By more clearly defining the problem, S. 101 seeks to help in the solution.

Federal retirement trust funds, as opposed to other trust funds, have a special and common purpose. Retirement funds need to build up a reasonable reserve to provide for future retirees. In contrast, the highway or airport trust funds, for example, were not intended to build up surpluses.

By displaying the budget in three parts, S. 101 makes it possible for one to see that the Government's operating budget has not been much out of balance and can be balanced. S. 101 also makes clear that the interest that the Nation owes on the debt, now more than a quarter of a trillion dollars (or about $1 billion each and every working day of the year) is a major problem. Those interest payments have been eating into the operating budget, depriving the Government of budgetary choices.

By more plainly displaying the problem, S. 101 seeks to provide the first step toward achieving real deficit and debt reduction.

III. History of S. 101

Senator Sanford introduced S. 101 on January 25, 1989, the first day of session of the 101st Congress.[2] On October 18 and 26, 1989, the Committee on the Budget and the Committee on Governmental Affairs held two joint hearings on the budget process. During the hearing of October 26, 1989, the committees discussed S. 101 in the context of the testimony of Senator Sanford on his bill.[3] Over the course of the 101st Congress, Senator Sanford made a number of statements in which he discussed S. 101.[4] The Committee on the Budget debated S. 101 during the course of its markup on budget process legislation on July 24 and 25, 1990.

IV. Section-by-Section Analysis [5]

Section 1. Short Title

Section 1 give the title of the act: the "Honest Budget/Balanced Budget and Debt Reduction Act of 1989".

TITLE I—OPERATING BUDGET, RETIREMENT FUNDS BUDGET, AND DEBT AND INTEREST BUDGET

Title I takes the retirement trust funds and interest payments out of the operating budget.[6] The resulting operating budget fo-

---

[2] *See* 135 Cong. Rec. S170, S424-29 (Jan. 25, 1989).

[3] *See Budget Reform Proposals: Joint Hearings Before the Senate Comm. on Governmental Affairs & Comm. on the Budget,* 101st Cong., 1st Sess. 58-70, 182-87 (S. Hrg. No. 101-560) (1989).

[4] *See* 136 Cong. Rec. S5,943 (May 10, 1990); *id.* at S1,877-78 (Mar. 1, 1990); 135 Cong. Rec. S16,162-63 (Nov. 19, 1989); *id.* at S15,929 (Nov. 17, 1989); *id.* at S15,778 (Nov. 16, 1989); *id.* at S3,819 (Apr. 13, 1989); *id.* at S3,497 (Apr. 7, 1989); *id.* at S170, S424-29 (Jan. 25, 1989).

[5] This section sets forth a section-by-section analysis of the amendment in the nature of a substitute that the Committee on the Budget ordered reported. For a section-by-section analysis of the underlying bill, see 135 Cong. Rec. S427-29 (Jan. 25, 1989).

[6] For a detailed discussion of the history of the budgetary treatment of the retirement trust funds, *see Senate Comm. on the Budget, Social Security Preservation Act,* S. Rept. No. 101- , 101st Cong., 2d Sess. (1990).

cuses attention on the real change in the deficit that current actions cause. This budget no longer masks deficits with the surpluses of the retirement trust funds—surpluses that we need to build up to pay for the retirement of baby boomers in the next century. This budget also does not inflate the deficit by the debt service that the payment of interest of the public debt reflects.

The result is three budgets focused on three different time frames: one for retiring the debt build up in the past, one for current operating expenditures, and one for the retirement programs of the future.

As explained in more detail below, removing the retirement fund surpluses and the net interest payments from the operating budget allows the Government to balance the operating budget in fiscal year 1991 with little more deficit reduction than already required by Gramm-Rudman-Hollings.

Section 101. Operating Budget, Retirement Funds Budget, and Debt and Interest Budget in the President's Budget

Section 101 divides the unified budget of the Government among three component parts:

(1) an operating budget;
(2) a retirement funds budget; and
(3) a debt and interest budget.

Section 101(a) adds a new section to title 31 of the United States Code requiring that the President present these three budgets separately when he submits his annual budget submission.

Section 101 also defines the unified budget and the three component parts.

The unified budget displays totals for the Federal Government as a whole.

The operating budget includes all receipts and expenditures of Federal entities other than those in the two other component budgets. It includes as one item any expenditures from the preceding year in excess of the maximum deficit amount.

The retirement funds budget includes receipts and expenditures for Social Security and the other retirement trust funds that accumulate for the future. The Director of Office of Management and Budget (in cooperation with the Comptroller General, the Director of the Congressional Budget Office, and the Chairman and the Ranking Minority Members of the Committees on the Budget of the Senate and the House of Representatives) may classify funds as retirement trust funds in order to fulfill the purposes of this section.

The debt and interest budget identifies the changes in the public debt resultant from the deficits or surpluses, interest on the public debt, and (in emergencies) inter-fund transfers to the operating budget. The interest on the national debt displayed here includes payments to the retirement trust funds, and is thus larger than the often-cited net interest number.

Subsection (b) makes a conforming amendment to the chapter analysis to add the title of the new section.

The Congressional Budget Office estimates that the division of the budget called for by the bill would result in the deficits and surpluses displayed in Table 1.[7]

TABLE 1.—SURPLUSES (+) AND DEFICITS (−) USING S. 101 CATEGORIES

[By fiscal year, in billions of dollars]

	1989 actual	1990	1991	1992	1993	1994	1995
Operating budget [1]	−20	−43	−72	−65	−15	35	42
Retirement funds budget [2]	109	112	126	133	145	157	171
Gross interest [3]	−241	−264	−286	−306	−324	−338	−351
Total—Unified budget	−152	−195	−232	−239	−194	−146	−138

[1] The projections include additional resources beyond current law to resolve savings and loan institutions. Pursuant to section 204, the President must transfer any surpluses in the operating budget to the debt and interest budget.

[2] Retirement funds include Social Security, Medicare, Military and Civil Service Retirement and several small Federal employee retirement funds, and Railroad Retirement.

[3] Gross interest is interest on the public debt (subfunction 901 of the budget).

Source: Congressional Budget Office preliminary and approximate estimates based on its July baseline.

Much of the operating budget deficit results from the effects of the Resolution Trust Corporation on the budget. Without those effects, the operating budget deficit or surplus appears more stable, as displayed in Table 2.

TABLE 2.—SURPLUSES (+) AND DEFICITS (−) IN THE OPERATING BUDGET WITHOUT THE RESOLUTION TRUST CORPORATION

[By fiscal year, in billions of dollars]

	1989 actual	1990	1991	1992	1993	1994	1995
Operating budget without RTC [1]	−11	−7	−2	−5	−2	5	24

[1] Pursuant to section 204, the President must transfer any surpluses in the operating budget to the debt and interest budget.

Source: Congressional Budget Office preliminary and approximate estimates based on its July baseline.

Section 102. Reporting of Transfers Among Budgets

Section 102 makes a conforming amendment to the existing section 1105(a) of title 31, United States Code, to require the reporting of interfund transfers between the new operating budget and the debt and interest budget. As required by section 204(3), to the extent that revenues exceed outlays in the operating budget, the President must transfer the surplus to the debt and interest budget to reduce the deficit or retire debt. Transfers from the debt and interest budget to the retirement funds budget will appear as interest paid and interest received.

The Congressional Budget Office estimates that transfers from the operating budget and the debt and interest budget to the retirement funds budget called for by the bill would be as displayed in Table 3.[8]

---

[7] For additional data on how a budget would look under S. 101, see General Accounting Office, Budget Issues: Special Analysis for Bill S. 101 (Mar. 1990) (Rep. No. GAO/AFMD-90-61FS); General Accounting Office, Budget Issues: Budget Numbers for Proposed Bill S. 101 (Rep. No. GAO/AFMD-89-87FS).

[8] For a discussion of the kinds of transfers that could be involved, see Congressional Budget Office, "The Economic and Budget Outlook: An Update" 62-63 (July 1990).

TABLE 3.—TRANSFERS TO THE RETIREMENT FUNDS BUDGET

[By fiscal year, in billions of dollars]

	1989 actual	1990	1991	1992	1993	1994	1995
Transfers from the operating budget to the retirement funds budget	98	102	104	112	123	134	147
Transfers from the debt and interest budget to the retirement funds budget	45	54	63	72	81	91	102
Total transfers from other budgets to the retirement funds budget	143	156	167	184	204	225	249

Source: Congressional Budget Office preliminary and approximate estimates based on its July baseline.

Section 103. Operating Budget, Retirement Funds Budget, and Debt and Interest Budget in the Congressional Budget

Section 103 requires the congressional budget to reflect the same division among three component budgets.

Section 104. Conforming Change

Section 104 makes a conforming change in section 710(a) of the Social Security Act [9] so that the Social Security budget may appear in the retirement funds budget.

TITLE II—BALANCED OPERATING BUDGETS

Title I changes the operating budget so that it reflects only the current demands on the Government. Title II requires that the President and the Congress balance that operating budget. In other words, the Government must spend no more on current needs than it raises in current revenues. This requirement is not only a moral one, but (as explained below) an achievable one.

Section 201. Point of Order Against Unbalanced Operating Budgets

Section 201 creates a point of order that would prohibit any budget resolution (and any amendment or conference report on it) that would result in a deficit in the operating budget (except during declared war or recession). By virtue of the addition that section 101(a) makes in 31 U.S.C. § 1105a(b)(2), this point of order is intended to require that budget outlays that exceed the recommended level of operating revenues must be added to the next possible operating budget. Under existing law, a three-fifths vote would be required to waive or suspend the point of order (except during a declared recession) in the Senate (and, in certain circumstances, in the House).

Section 201 repeals obsolete provisions relating to fiscal years 1988 and 1989 and restates (to avoid the negative implication of repeal) the authority of the Budget Committees to make scorekeep-

[9] 42 U.S.C. § 911(a) (1988).

Note that beginning with fiscal year 1993, section 710(a) will change so that it also applies to the Medicare hospital insurance trust fund. *See* 42 U.S.C. § 911 note (1988). For a discussion of this change, see W. Dauster Congressional Budget Act Annotated 14-15 n.33 (1990).

It is the intent of S. 101 that the changes that it makes to the current version of section 710(a) of the Social Security Act as it exists under current law will persist in the version of section 710(a) that will become effective for fiscal year 1993.

ing decisions necessary for section 301 of the Congressional Budget Act.

Section 202. Point of Order Against Legislation that Would Cause an Operating Deficit

Section 202 augments the existing point of order under section 311 of the Congressional Budget Act to prohibit any bill, resolution, amendment, or conference report increasing the deficit if its enactment would cause operating budget outlays to exceed operating budget revenues (except during declared war or recession). A three-fifths vote would be required to waive or suspend the section (except during a declared recession) in the Senate (and, in certain circumstances, in the House).

Section 202 also repeals an obsolete paragraph of section 311 of the Congressional Budget Act and renumbers a paragraph reference to conform to the new paragraph numbering changed by section 201 of this Act.

Section 203. Prohibition of Counting as Savings the Transfer of Government Actions from One Year to Another

Section 203 eliminates exceptions to section 202 of the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 that have been abused.[10] Section 203 also makes clear the original intent of section 202 that the section cannot be used to free up additional spending money, but applies only to prohibit the creation of spending room by artificial transfers. Section 203 also makes a conforming amendment to section 251(a)(6)(K) of Gramm-Rudman-Hollings to make clear that the exceptions no longer exist.

Section 204. President's Operating Budget Must Be Balanced

Section 204 requires the President's budget to use a budget baseline made in accordance with section 251(a)(6) of Gramm-Rudman-Hollings—the same baseline that the Office of Management and Budget must use at the end of the Gramm-Rudman-Hollings cycle to determine whether that law requires across-the-board cuts. The President is thus not able to use asset sales, among other things, to meet the Gramm-Rudman-Hollings targets.

Section 204 requires that the President submit a balanced operating budget. To the extent that gross operating revenues exceed gross operating outlays, the President must transfer that surplus to the debt and interest budget.

Section 204 also repeals obsolete provisions of section 1105(f).

Section 205. Effective Date

Section 205 provides that this title takes effect immediately on enactment with respect to fiscal year 1991 and all subsequent fiscal years.

---

[10] For a discussion of the law and abuse of shifts from one year to another, see W. Dauster, Congressional Budget Act Annotated 567-77 (1990).

TITLE III—TRUST FUND FOR THE REDUCTION OF THE DEFICIT AND PUBLIC DEBT

Title III states the policy of the United States that the Government should reduce the deficit and the public debt. Funds raised for that purpose should not be available for current needs, but must be devoted to the reduction of the deficit and the retirement of the debt that drags on the economy.

Section 301. Public Debt Reduction Policy

Section 301 states the policy of the United States that the Congress should establish a special deficit and debt retirement trust account dedicated to the elimination of annual deficits and the reduction of the public debt or earmark an existing tax for that purpose. It is the intent of the legislation that the trust account would appear in the debt and interest budget, as its purpose would be reduction of the public debt. Any revenues collected would be deposited to a separate trust fund account used only for the elimination of the deficit and the retirement of the public debt. The Secretary of the Treasury would administer the account with the advice of a bipartisan board. Any tax would expire upon the reduction of the public debt to a target level of not more than 20 percent of the average Gross National Product over the previous 3 years.

TITLE IV—DEFINITION OF THE DEFICIT

Title IV defines the term "deficit" to exclude the retirement funds. The surpluses from those budgets would not be available to mask the true deficit. For purposes of the Congressional Budget Act and Gramm-Rudman-Hollings, Title IV would define "deficit" to include both past and current obligations, to make clear that Gramm-Rudman-Hollings requires the payment of interest on the public debt as well as all operating expenditures.

Section 401. Definition of "Deficit"

Section 401 revises the definition of the term "deficit" to mean the amount by which combined budget outlays for the operating and debt and interest budgets exceed combined revenues for the operating and debt and interest budgets for that fiscal year. Thus, the deficit for the purposes of the Congressional Budget Act and Gramm-Rudman-Hollings is the same as under prior law except that surpluses in the retirement trust funds are not counted to artificially reduce the deficit.

The Congressional Budget Office estimates that the change in the definition of the deficit called for by the bill would result in the deficits displayed in Table 4.

TABLE 4.—DEFICITS (—) USING S. 101 DEFINITION

[By fiscal year, in billions of dollars]

	1989 actual	1990	1991	1992	1993	1994	1995
Deficits excluding retirement funds	—261	—306	—358	—372	—339	—304	309

Source: Congressional Budget Office preliminary and approximate estimates based on its July baseline.

The definition reaffirms the prior law statement that amounts paid by the Federal Financing Bank for the purchase of loans made or guaranteed by any department, agency, or instrumentality of the Government of the United States shall be treated as outlays of such department, agency, or instrumentality.

V. Roll-Call Vote in Committee

Senator Sanford moved that the Committee report S. 101 with an amendment in the nature of a substitute. The Committee agreed to the motion by a vote of 17 yeas to 5 nays:

YEAS	NAYS
Mr. Sasser	Mr. Domenici [1]
Mr. Hollings	Mr. Armstrong
Mr. Johnston [1]	Mr. Boschwitz
Mr. Riegle [1]	Mr. Rudman [1]
Mr. Exon	Mr. Bond
Mr. Lautenberg	
Mr. Simon	
Mr. Sanford	
Mr. Wirth	
Mr. Fowler [1]	
Mr. Conrad	
Mr. Dodd [1]	
Mr. Robb	
Mr. Symms	
Mr. Grassley	
Mr. Kasten	
Mr. Nickles	

[1] By proxy.

VI. Joint Referral Under the Standing Order

The Committee on the Budget has jurisdiction over S. 101 by virtue of the standing order on the referral of budget-process legislation into which the Senate entered on August 4, 1977.[11] Upon

---

[11] On August 4, 1977, the Senate agreed by unanimous consent:

"* * * that legislation affecting the congressional budget process, as described below, be referred jointly to the Committee on the Budget and on Governmental Affairs. If one committee acts to report a jointly-referred measure, the other must act within 30 calendar days of continuous [session], or be automati[c]ally discharged.

"Legislative proposals affecting the congressional budget process to which this order applies are:

"First. The functions, duties, and powers of the Budget Committee—as described in title I of the act;

"Second. The functions, duties, and powers of the Congressional Budget Office—as described in title[s] II and IV of the act;

"Third. The process by which Congress annually establishes the appropriate levels of budget authority, outlays, revenues, deficits or surpluses, and public debt—including subdivisions thereof. That process includes the establishment of:

"mandatory ceilings on spending and appropriations;

"a floor on revenues;

"timetables for congressional action on concurrent resolutions, on the reporting of authorization bills, and on the enactment of appropriations bills; and

"enforcement mechanisms for the limits and timetables,

all as described in titles III and IV of the act[;]

"Fourth. The limiting of backdoor spending device[s]—as described in title IV of the act;

"Fifth. The timetables for Presidential submission of appropriations and authorization requests—as described in title VI of the act;

Continued

the reporting of the Act, the Presiding Officer will refer it to the Committee on Governmental Affairs pursuant to the standing order, with instructions that the Committee on Governmental Affairs shall have 30 days to report or be discharged.

VII. Regulatory Impact

Paragraph 11(b)(1) of rule XXVI of the Standing Rules of the Senate requires that each report accompanying a bill evaluate "the regulatory impact which would be incurred in carrying out the bill." [12] The enactment of this legislation would not have significant regulatory impact.

VIII. Cost Estimate

U.S. Congress,
Congressional Budget Office,
Washington, DC, August 3, 1990.

Hon. Jim Sasser,
Chairman, Committee on the Budget,
U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has reviewed S. 101, the Honest Budget/Balanced Budget Act, as ordered reported by the Senate Committee on the Budget, July 25, 1990.

S. 101 would redefine the existing federal budget structure by creating an operating funds budget, a retirement funds budget, and a debt and interest budget. CBO expects that implementing these changes would result in no significant additional costs.

In addition, the bill would define the deficit to mean the amount by which outlays exceed revenues for the operating and debt and interest budgets. The definition would exclude the retirement funds budget from the deficit calculation for purposes of comparison with the maximum deficit amounts under the Balanced Budget Act. Because the retirement funds currently generate a cash surplus each year, this provision would have the effect of raising the baseline deficit and increasing the size of a potential sequester. Under CBO's most recent baseline estimates, for example, excluding the retirement funds from the deficit calculation in 1991 would raise the deficit estimate by $126 billion.

S. 101 also would require, beginning in 1991, the President's request and any concurrent budget resolution for the operating budget to be balanced, with spending not to exceed revenues. We cannot predict how this would affect the size of the federal deficit actually incurred.

"Sixth. The definitions of what constitutes impoundment—such as "rescissions" and "deferrals," as provided in the Impoundment Control Act, title X;

"Seventh. The process and determination by which impoundments must be reported to and considered by Congress—as provided in the Impoundment Control Act, title X;

"Eighth. The mechanisms to insure Executive compliance with the provisions of the Impoundment Control Act, title X—such as GAO review and lawsuits; and

"Ninth. The provisions which affect the content or determination of amounts included in or excluded from the congressional budget or the calculation of such amounts, including the definition of terms provided by the Budget Act—as set forth in title I thereof.

123 Cong. Rec. S13,553 (Aug. 4, 1977). *See generally* W. Dauster, Congressional Budget Act Annotated 582–87 (1990) (on application of the standing order).

[12] Standing Rules of the Senate Rule XXVI(11)(b)(1) (1990).

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is James Hearn, who can be reached at 226–2860.

Sincerely,

ROBERT D. REISCHAUER,
Director.

IX. ADDITIONAL AND MINORITY VIEWS

ADDITIONAL VIEWS OF MR. SANFORD

More than $1 trillion have been added to the Federal debt since Gramm-Rudman has been in effect. Nearly half of that debt build-up was not included, never mentioned in the Gramm-Rudman deficit numbers.

OMB became very skillful at covering up the true size of our annual deficits, and Congress acquiesced. Deficits became moving targets, reductions a hollow game. A needless borrowing and spending mentality developed during the 1980's. It is shocking to realize how expensive it is to service our massive Federal debt. Cover-ups cost money. This year we will pay more than a quarter of a trillion dollars in interest alone just to service our $3.1 trillion debt.

We have on-budget and off-budget spending. As if that did not complicate the budget process enough, we now have on-deficit and off-deficit spending. It is no wonder why our debt build-up gained so little notice from the American people.

How much more can we afford to borrow? We now owe about 60 percent of GNP. Must we wait until debt exceeds GNP, until interest totally consumes the Federal budget, before we can achieve real deficit reduction? Can we afford to continue paying interest in the amount of $1 billion each and every working day to service debt?

We need to stop engaging in "sneaky accounting" and to start requiring an honest Federal budget that does not cover up spending. We need a Federal budget that can be easily understood. We need to clearly define where we are in order to get where we need to be, and we need to understand the problem. If we don't have an honest accounting of the Federal budget, we can never achieve a balanced budget.

This legislation proposes to facilitate putting our fiscal house on sound footing by eliminating our deficits, reducing the debt, and balancing our budget. This legislation does not solve the problem of increasing deficits. That must be done by the will of the President and the Congress. This legislation makes it easier for the public, the President, and the Congress to understand how that will might be exercised effectively.

S. 101 clarifies our problem of debt by exposing the misuse of all Federal retirement trust fund reserves, not just Social Security, and all other cover-up schemes. The real deficits will be revealed and cannot be concealed. By dividing the Federal budget into three parts that separate retirement programs and interest owed on the debt from the Operating Budget, anyone can easily see our problem. Basically, that problem is debt and interest we pay on that debt.

The debt that has been allowed to accumulate during the 1980's and now the 1990's is an outrageous example of fiscal irresponsibil-

ity. Anyone making house payments or automobile payments knows what debt means and knows what interest means and how that interest on debt mounts up and compounds. The day of reckoning is slipping up on us as we race now toward a $4 trillion debt.

Changing our present course of spending and borrowing, and heading this country down a proper path that leads to real, honest deficit reduction will require three things. It will require credible Presidential leadership, Congressional will, and a good plan.

If the President provides the proper leadership, Congress will work with him. S. 101 provides the plan.

[In billions of dollars]

	1986	1987	1988	1989	1990
Budget Act deficitis	221	150	155	152	195
Debt increase (S. 101)	287	225	251	243	303
Cover-up	66	75	96	91	108
Debt subject to limit	2.111	2.336	2.587	2.830	3.133
Gross interest	190	195	214	240	261

Note: 1990 figures are CBO estimates.

TERRY SANFORD.

MINORITY VIEWS OF MR. DOMENICI

I voted against Senator Sanford's legislation, S. 101. It will not improve the budget process nor will it force a reduction in the deficit.

Senator Sanford's legislation would complicate an already too complex budget process. It would subdivide the budget and present us with at least four budget deficits: an operating budget deficit, an interest and debt budget deficit, a retirement trust fund deficit, and a unified budget deficit.

This legislation would base our budgetary decisions on an operating budget deficit, excluding retirement trust fund and interest transactions. The result is that we will ignore the fastest growing component of our budget, net interest expenditures, which CBO projects to amount to $196 billion in FY 1991.

The Federal budget not only focuses on priorities, but more importantly is key to setting fiscal policy. By dividing up the budget and basing our decisions on these subdivisions, we lose sight of the total impact of the Federal budget on the economy and the total burden on future taxpayers. The unified budget is the one proven measure of the impact of Federal fiscal decisions on the economy. The Congressional Budget Office (CBO), all former CBO directors, and the Office of Management and Budget support the unified budget concept.

Last year, for example, total Federal outlays amounted to $1.1 trillion, or 22 percent, of our gross national product (GNP). The shortfall between revenues and outlays amounted to a deficit of $152 billion (2.9 percent of GNP). This unified budget deficit basically represents the increment in Treasury borrowing from the public and the taxes we will have to pay in the future for current government operations.

We used to have a system of three budgets prior to 1969 and it was an adminsitrative nightmare. President Lyndon Johnson responded by appointing a bi-partisan panel of 16 experts to study the presentation of the budget and the deficit. This panel unanimously approved a unified budget in its 1967 report on budget concepts. Its principal recommenation was:

> 1. The Commission's most important recommendation is that a unified summary budget statement be used to replace the present three or more competing concepts that are both confusing to the public and Congress and deficient in certain essential characteristics.[1]

[1] Report of the President's Commission on Budget Concepts, October 1967, p. 6.

I truly believe that S. 101 will further complicate our efforts to gain control of our budgetary problems. It will balkanize the budget, obscure the impact of our budgetary decisions, and divert attention from our most important task—the reduction of the deficit.

PETE V. DOMENICI.

X. Changes in Existing Law

Pursuant to paragraph 12 of rule XXVI of the Standing Rules of the Senate, this section displays changes to existing law made by the Act. Existing law that the Act would strike appears in black brackets, new material appears in italic type, and existing law to which the Act makes no change appears in roman type.

TITLE 31, UNITED STATES CODE

Chapter Analysis

SUBTITLE II—THE BUDGET PROCESS

Chap.		Sec.
11.	The Budget and Fiscal, Budget, and program information	1103
13.	Appropriations	1301
15.	Appropriation Accounting	1501

CHAPTER 11—THE BUDGET AND FISCAL, BUDGET, AND PROGRAM INFORMATION

Sec.
1101. Definitions.
1102. Fiscal year.
1103. Budget ceiling.
1104. Budget and appropriations authority of the President.
1105. Budget contents and submission to Congress.
1105a. Operating budget, retirement funds budget, and debt and interest budget.
1106. Supplemental budget estimates and changes.
1107. Deficiency and supplemental appropriations.
1108. Preparation and submission of appropriations requests to the President.
1109. Current programs and activities estimates.
1110. Year-ahead requests for authorizing legislation.
1111. Improving economy and efficiency.
1112. Fiscal, budget, and program information.
1113. Congressional information.
1114. Budget information on consulting services.

31 U.S.C. § 1105

§ 1105. Budget contents and submission to Congress

(a) On or before the first Monday after January 3 of each year (or on or before February 5 in 1986), the President shall submit a budget of the United States Government for the following fiscal year. Each budget shall include a budget message and summary and supporting information. The President shall include in each budget the following:

(1) information on activities and functions of the Government.

(2) when practicable, information on costs and achievements of Government programs.

(3) other desirable classifications of information.

(4) a reconciliation of the summary information on expenditures with proposed appropriations.

(5) except as provided in subsection (b) of this section, estimated expenditures and proposed appropriations the President decides are necessary to support the Government in the fiscal year for which the budget is submitted and the 4 fiscal years after that year.

(6) estimated receipts of the Government in the fiscal year for which the budget is submitted and the 4 fiscal years after that year under—

(A) laws in effect when the budget is submitted; and

(B) proposals in the budget to increase revenues.

(7) appropriations, expenditures, and receipts of the Government in the prior fiscal year.

(8) estimated expenditures and receipts, and appropriations and proposed appropriations, of the Government for the current fiscal year.

(9) balanced statements of the—

(A) condition of the Treasury at the end of the prior fiscal year?

(B) estimated condition of the Treasury at the end of the current fiscal year; and

(C) estimated condition of the Treasruy at the end of the fiscal year for which the budget is submitted if financial proposals in the budget are adopted.

(10) essential information about the debt of the Government.

(11) other financial information the President decides is desirable to explan in practicable detail the financial condition of the Government.

(12) for each proposal in the budget for legislation that would establish or expand a Government activity or function, a table showing—

(A) the amount proposed in the budget for appropriation and for expenditure because of the proposal in the fiscal year for which the budget is submitted; and

(B) the estimated appropration required because of the proposal for each of the 4 fiscal years after that year that the proposal will be in effect.

(13) an allowance for addition estimated expenditures and proposed appropriations for the fiscal year for which the budget is submitted.

(14) an allowance for unanticipated uncontrollable expenditures for that year.

(15) a separate statement on each of the items referred to in section 301(a) (1)–(5) of the Congressional Budget Act of 1974 (2 U.S.C. 632(a) (1)–(5)).

(16) the level of tax expenditures under existing law in the tax expenditure budget (as defined in section 3(a)(3) of the Congressional Budget Act of 1974 (2 U.S.C. 622(a)(3)) for the fiscal year for which the budget is submitted, considering projected economic factors and changes in the existing levels based on proposals in the budget.

(17) information on estimates of appropriations for the fiscal year following the fiscal year for which the budget is submitted

for grants, contracts, and other payments under each program for which there is an authorization of appropriations for the following fiscal year when the apporprations are authorized to be included in an appropriation law for the fiscal year before the fiscal year in which the appropriation is to be available for obligation.

(18) a comparison of the total amount of budget outlays for the prior fiscal year, estimated in the budget submitted for that year, for each major program having relatively uncontrollable outlays with the total amount of outlays for the program in that year.

(19) a comparison of the total amount of receipts for the prior fiscal year, estimated in the budget submitted for that year, with receipts received in that year, and for each major source of receipts, a comparison of the amount of receipts estimated in that budget with the amount of receipts from that source in that year.

(20) an analysis and explanation of the differences between each amount compared under clauses (18) and (19) of this subsection.

(21) a horizontal budget showing—

(A) the programs for meteorology and of the National Climate Program established under section 5 of the National Climate Program Act (15 U.S.C. 2904);

(B) specific aspects of the program of, and appropriations for, each agency; and

(C) estimated goals and financial requirements.

(22) a statement of budget authority, proposed budget authority, budget outlays, and proposed budget outlays, and descriptive information in terms of—

(A) a detailed structure of national needs that refers to the missions and programs of agencies (as defined in section 101 of this title [31 U.S.C. § 101]; and

(B) the missions and basic programs.

(23) separate appropriation accounts for appropriations under the Occupational Safety and Health Act of 1970 (29 U.S.C. 651 et seq.) and the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 801 et seq.)

(24) recommendations on the return of Government capital to the Treasury by a mixed-ownership corporation (as defined in section 9101(2) of this title) that the President decides as desirable.

(25) a separate appropriation account for appropriations for each Office of Inspector General of an establishment defined under section 11(2) of the Inspector General Act of 1978 [5 U.S.C. Appx.].

(26) an analysis, prepared by the Office of Management and Budget after consulation with the chairman of the Council of Economic Advisers, of the budget's impact on the international competitiveness of United States business and the United States balance of payments position and shall include the following projections, based upon the best information available at the time, for the fiscal year for which the budget is submitted—

(A) the amount of borrowing by the Government in private credit markets;

(B) net domestic savings (defined as personal savings, corporate savings, and the fiscal surplus of State and local governments);

(C) net private domestic investment;

(D) the merchandise trade and current accounts;

(E) the net increase or decrease in foreign indebtedness (defined as net foreign investment); and

(F) the estimated direction and extent of the influence of the Government's borrowing in private credit markets on United States dollar interest rates and on the real effective exchange rate of the United States dollar.

[(26)] *(27)* a separate statement of the amount of appropriations requested for the Office of National Drug Control Policy and each program of the National Drug Control Program.

[(27)] *(28) inter-fund transfers between operating budget and the debt and interest budget.*

(b) Estimated expenditures and proposed appropriations for the legislative branch and the judicial branch to be included in each budget under subsection (a)(5) of this section shall be submitted to the President before October 16 of each year and included in the budget by the President without change.

(c) The President shall recommend in the budget appropriate action to meet an estimated deficiency when the estimated receipts for the fiscal year for which the budget is submitted (under laws in effect when the budget is submitted) and the estimated amounts in the Treasury at the end of the current fiscal year available for expenditure in the fiscal year for which the budget is submitted, are less than the estimated expenditures for that year. The President shall make recommendations required by the public interest when the estimated receipts and estimated amounts in the Treasury are more than the estimated expenditures.

(d) When the President submits a budget or supporting information about a budget, the President shall include a statement on all changes about the current fiscal year that were made before the budget or information was submitted.

(e)(1) The President shall submit with materials related to each budget transmitted under subsection (a) on or after January 1, 1985, an analysis for the ensuing fiscal year that shall identify requested appropriations or new obligational authority and outlays for each major program that may be classified as a public civilian capital investment program and for each major program that may be classified as a military capital investment program, and shall contain summaries of the total amount of such appropriations or new obligational authority and outlays for public civilian capital investment programs and summaries of the total amount of such appropriations or new obligational authority and outlays for military capital investment programs. In addition, the analysis under this paragraph shall contain—

(A) an estimate of the current service levels of public civilian capital investment and of military capital investment and alternative high and low levels of such investments over a period

of ten years in current dollars and over a period of five years in constant dollars;

(B) the most recent assessment analysis and summary, in a standard format, of public civilian capital investment needs in each major program area over a period of ten years;

(C) an identification and analysis of the principal policy issues that affect estimated public civilian capital investment needs for each major program; and

(D) an identification and analysis of factors that affect estimated public civilian capital investment needs for each major program, including but not limited to the following factors:

(i) economic assumptions;

(ii) engineering standards;

(iii) estimates of spending for operation and maintenance;

(iv) estimates of expenditures for similar investments by State and local governments; and

(v) estimates of demand for public services derived from such capital investments and estimates of the service capacity of such investments.

To the extent that any analysis required by this paragraph relates to any program for which Federal financial assistance is distributed under a formula prescribed by law, such analysis shall be organized by State and within each State by major metropolitan area if data are available.

(2) For purposes of this subsection, any appropriation, new obligational authority, or outlay shall be classified as a public civilian capital investment to the extent that such appropriation, authority, or outlay will be used for the construction, acquisition, or rehabilitation of any physical asset that is capable of being used to produce services or other benefits for a number of years and is not classified as a military capital investment under paragraph (3). Such assets shall include (but not be limited to)—

(A) roadways or bridges,

(B) airports or airway facilities,

(C) mass transportation systems,

(D) waste water treatment or related facilities,

(E) water resources projects,

(F) hospitals,

(G) resource recovery facilities,

(H) public buildings,

(I) space or communications facilities,

(J) railroads, and

(K) federally assisted housing.

(3) For purposes of this subsection, any appropriation, new obligational authority, or outlay shall be classified as a military capital investment to the extent that such appropriation, authority, or outlay will be used for the construction, acquisition, or rehabilitation of any physical asset that is capable of being used to produce services or other benefits for purposes of national defense and security for a number of years. Such assets shall include military bases, posts, installations, and facilities.

(4) Criteria and guidelines for use in the identification of public civilian and military capital investments, for distinguishing be-

tween public civilian and military capital investments, and for distinguishing between major and nonmajor capital investment programs shall be issued by the Director of the Office of Management and Budget after consultation with the Comptroller General and the Congressional Budget Office. The analysis submitted under this subsection shall be accompanied by an explanation of such criteria and guidelines.

(5) For purposes of this subsection—

(A) the term "construction" includes the design, planning, and erection of new structures and facilities, the expansion of existing structures and facilities, the reconstruction of a project at an existing site or adjacent to an existing site, and the installation of initial and replacement equipment for such structures and facilities;

(B) the term "acquisition" includes the addition of land, sites, equipment, structures, facilities, or rolling stock by purchase, lease-purchase, trade, or donation; and

(C) the term "rehabilitation" includes the alteration of or correction of deficiencies in an existing structure or facility so as to extend the useful life or improve the effectiveness of the structure or facility, the modernization or replacement of equipment at an existing structure or facility, and the modernization of, or replacement of parts for, rolling stock.

(f)(1) The budget transmitted pursuant to subsection (a) for a fiscal year shall be prepared on the basis of the best estimates then available, in such a manner as to ensure that the deficit for such fiscal year shall not exceed the maximum deficit amount for such fiscal year as determined under paragraph (7) of section 3 of the Congressional Budget and Impoundment Control Act of 1974 [2 U.S.C. § 622(7)] *using a budget baseline estimate made in accordance with section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985.*

(2) The deficit set forth in the budget so transmitted for any fiscal year shall not exceed the maximum deficit amount for such fiscal year as determined under paragraph (7) of section 3 of the Congressional Budget and Impoundment Control Act of 1974 [2 U.S.C. § 622(7)] *using a budget baseline estimate made in accordance with section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985,* with budget outlays and Federal revenues at such levels as the President may consider most desirable and feasible.

[(3) The budget transmitted pursuant to subsection (a) for a fiscal year shall include a budget baseline estimate made in accordance with section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 [2 U.S.C. § 901(a)(6)] and using economic and technical assumptions consistent with the current services budget submitted under section 1109 [31 U.S.C. § 1109] for the fiscal year. If such budget baseline estimate differs from the estimate in the current services budget, the President shall explain the differences. The budget transmitted pursuant to subsection (a) for such fiscal year shall include the information required by section 251(a)(2) of such Act [2 U.S.C. § 901(a)(2)] (other than account-level detail) assuming that the deficit in such budget baseline were the amount estimated by the Director of the Office of Management and

Budget on August 25 of the calendar year in which the fiscal year begins.]

(3) In the operating budget in the budget so transmitted for any fiscal year, revenues shall equal outlays, with revenues and outlays at such levels as the President may consider most desirable and feasible. To the extent that gross revenues exceed gross outlays, the President shall indicate such surplus as an inter-fund transfer to the debt and interest budget.

[(4) Paragraphs (1) and (2) shall not apply with respect to fiscal year 1988 if the budget transmitted for such fiscal year provides for deficit reduction from a budget baseline deficit for such fiscal year (as defined by section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 [2 U.S.C. § 901(a)(6)] and based on laws in effect on January 1, 1988) equal to or greater than $36,000,000,000.]

[(5)] *(4)* Paragraphs (1) and (2) shall not apply if a declaration of war by the Congress is in effect.[1]

§ 1105a. Operating budget, retirement funds budget, and debt and interest budget

(a) The budget of the United States Government submitted by the President under section 1105 of this title shall be a unified budget composed of—

(1) an operating budget;

(2) a retirement funds budget; and

(3) a debt and interest budget.

The President's budget submission shall present these three budgets separately.

(b) For the purposes of this section—

(1) the unified budget shall include all receipts and expenditures for Federal funds and trust funds consolidated to display totals for the Federal Government as a whole;

(2) the operating budget shall include all receipts and expenditures of all Federal entities, other than those in the retirement funds budget and the debt and interest budget, and any expenditures from the preceding fiscal year in excess of the maximum deficit amount;

(3) the retirement funds budget shall include receipts and expenditures for—

(A) the Federal Old-Age and Survivors Insurance Trust Fund;

(B) the Federal Hospital Insurance Trust Fund;

(C) the Civil Service Retirement and Disability Fund;

(D) the Military Retirement Fund;

(E) the Federal Supplementary Medical Insurance Trust Fund;

(F) the Federal Disability Insurance Trust Fund;

(G) the Railroad Retirement Fund; and

(H) such other funds or accounts that the Director of Management and Budget (in cooperation with the Comptroller General, the Director of the Congressional Budget

---

[1] 31 U.S.C. § 1105 (1988).

Office, and the Chairmen and the Ranking Minority Members of the Committees on the Budget of the Senate and the House of Representatives) determines should be classified as retirement trust funds in order to fulfill the purposes of this section; and

(4) the debt and interest budget shall include receipts and expenditures for—

(A) reductions or increases in the public debt;

(B) interest on the public debt; and

(C) in times of declared war or declared recession pursuant to section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985, inter-fund transfers to the operating budget.

CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

(Section 3(6))

[(6) The term "deficit" means, with respect to any fiscal year, the amount by which total budget outlays for such fiscal year exceed total revenues for such fiscal year. In calculating the deficit for purposes of comparison with the maximum deficit amount under the Balanced Budget and Emergency Deficit Control Act of 1985 and in calculating the excess deficit for purposes of section 251 and 252 of such Act (notwithstanding section 710(a) of the Social Security Act), for any fiscal year, the receipts of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund for such fiscal year and the taxes payable under section 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954 during such fiscal year shall be included in total revenues for such fiscal year, and the disbursements of each such Trust Fund for such fiscal year shall be included in total budget outlays for such fiscal year. Notwithstanding any other provision of law except to the extent provided by section 710(a) of the Social Security Act, the receipts, revenues, disbursements, budget authority, and outlays of each off-budget Federal entity for a fiscal year shall be included in total budget authority, total budget outlays, and total revenues and the amounts of budget authority and outlays set forth for each major functional category, for such fiscal year. Amounts paid by the Federal Financing Bank for the purchase of loans made or guaranteed by a department, agency, or instrumentality of the Government of the United States shall be treated as outlays of such department, agency, or instrumentality.] [2]

(6) The term "deficit" means, with respect to any fiscal year, the amount by which combined budget outlays for the operating and debt and interest budgets for such fiscal year exceed combined revenues for the operating and debt and interest budgets for such fiscal year. Amounts paid by the Federal Financing Bank for the purchase of loans made or guaranteed by any department, agency, or instru-

---

[2] Congressional Budget Act, § 3(6), 2 U.S.C. § 622(6) (1988).

mentality of the Government of the United States shall be treated as outlays of such department, agency, or instrumentality.

(Section 301(a))

ANNUAL ADOPTION OF CONCURRENT RESOLUTION ON THE BUDGET

SEC. 301. (a) CONTENT OF CONCURRENT RESOLUTION OF THE BUDGET.—On or before April 15 of each year, the Congress shall complete action on a concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth appropriate levels for the fiscal year beginning on October 1 of such year, and planning levels for each of the two ensuing fiscal years, *for the operating budget, the retirement funds budget, and the debt and interest budget (as defined in 31 U.S.C. section 1105a), respectively,* for the following—

(1) totals of new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments;

(2) total Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

(3) the surplus or deficit in the budget;

(4) new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments for each major functional category, based on allocations of the total levels set forth pursuant to paragraph (1); and

(5) the public debt.

(Section 301(i))

(i) MAXIMUM DEFICIT AMOUNT MAY NOT BE EXCEEDED.—

(1)(A) Except as provided in paragraph (2), it shall not be in order in either the House of Representatives or the Senate to consider any concurrent resolution on the budget for a fiscal year under this section, or to consider any amendment to such a concurrent resolution, or to consider a conference report on such a concurrent resolution, if the level of total budget outlays for such fiscal year that is set forth in such concurrent resolution or conference report exceeds the recommended level of Federal revenues set forth for that year by an amount that is greater than the maximum deficit amount for such fiscal year as determined under section 3(7), of if the adoption of such amendment would result in a level of total budget outlays for that fiscal year which exceeds the recommended level of Federal revenues for that fiscal year, by an amount that is greater than the maximum deficit amount for such fiscal year as determined under section 3(7).

(B) In the House of Representatives the point of order established under subparagraph (A) with respect to the consideration of a conference report or with respect to the consideration of a motion to concur, with or without an amendment or amendments, in a Senate amendment, the stage of disagreement having been reached, may be waived only by a vote of

three-fifths of the Members present and voting, a quorum being present.

[(2)(A) Paragraph (1) of this subsection shall not apply if a declaration of war by the Congress is in effect.

[(B) Paragraph (1) shall not apply to the consideration of any concurrent resolution on the budget for fiscal year 1988 or fiscal year 1989, or any amendment thereto or conference report thereon, if such concurrent resolution or conference report provides, or in the case of an amendment if the concurrent resolution as changed by the adoption of such amendment would provide for deficit reduction from a budget baseline estimate as specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 for such fiscal year (based on laws in effect on January 1 of the calendar year during which the fiscal year begins) equal to or greater than the maximum amount of unachieved deficit reduction for such fiscal year as specified in section 251(a)(3)(A) of such Act.

[(C) For purposes of the application of subparagraph (B), the amount of deficit reduction for a fiscal year provided for in a concurrent resolution, or amendment thereto or conference report thereon, shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.]

(2)(A) Except as provided in paragraph (3), it shall not be in order in either the House of Representatives or the Senate to consider any concurrent resolution on the budget for a fiscal year under this section, or to consider any amendment to such a concurrent resolution, or to consider a conference report on such a concurrent resolution, if the level of operating budget outlays for such fiscal year that is set forth in such concurrent resolution or conference report exceeds the recommended level of operating revenues set forth for that year, or if the adoption of such amendment would result in a level of operating budget outlays for that fiscal year that exceeds the recommended level of operating revenues for that fiscal year.

(B) In the House of Representatives the point of order established under subparagraph (A) with respect to the consideration of a conference report or with respect to the consideration of a motion to concur, with or without an amendment or amendments, in a Senate amendment, the stage of disagreement having been reached, may be waived only by a vote of three-fifths of the Members present and voting, a quorum being present.

(3) This subsection shall not apply if a declaration of war by the Congress is in effect.

(j) BUDGET LEVELS DETERMINED BY THE BUDGET COMMITTEE.—For the purposes of this section, the levels of new budget authority, spending authority as described in section 401(c)(2), outlays, and new credit authority for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.[3]

[3] 2 U.S.C. § 632 (1988).

(Section 311(a))

NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

SEC. 311. (a) LEGISLATION SUBJECTED TO POINT OF ORDER.—Except as provided by subsection (b), after the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment providing new budget authority for such fiscal year, providing new entitlement authority effective during such fiscal year, or reducing revenues for such fiscal year, or any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report,

would cause the appropriate level of total budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of total revenues set forth in such concurrent resolution *or would cause operating budget outlays to exceed operating budget revenues* or, in the Senate, would otherwise result in a deficit for such fiscal year that—

(A) for fiscal year 1989 or any subsequent fiscal year, exceeds the maximum deficit amount specified for such fiscal year in section 3(7); and

(B) for fiscal year 1988 or 1989, exceeds the amount of the estimated deficit for such fiscal year based on laws and regulations in effect on January 1 of the calendar year in which such fiscal year begins as measured using the budget baseline specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 minus $23,000,000,000 for fiscal year 1988 or $36,000,000,000 for fiscal year 1989;

except to the extent that paragraph (1) of section 301(i) or section 304(b), as the case may be, does not apply by reason of [paragraph (2) of such subsection] *paragraph (3) of such subsection.*[4]

BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

(Section 275(b))

(b) EXPIRATION.—

(1) Part C of this title, and the other provisions contained in or added by this title which are listed in paragraph (2), shall expire September 30, 1993.

(2) The other provisions referred to in paragraph (1) are as follows:

(A) section 3(7) of the Congressional Budget and Impoundment Control Act of 1974 [and the second sentence

---

[4] 2 U.S.C. § 642(a) (1988).

of section 3(6) of such Act (as added by section 201(a)(1) of this joint resolution)];

(B) sections 301(i) and 304(b) of the Congressional Budget Act of 1974 and the portion of section 311(a) of such Act which begins with "or, in the Senate" and ends with "paragraph (2) of such subsection)" (as added by section 201(b) of this joint resolution);

(C) sections 1105(f) and 1106(c) of title 31, United States Code (as added by sections 241(b) and 242(b) of this joint resolution); and

(D) section 271(b) of this joint resolution.[5]

PUBLIC LAW 101-119

(Section 202)

SEC. 202. PROHIBITION OF COUNTING AS SAVINGS THE TRANSFER OF GOVERNMENT ACTIONS FROM ONE YEAR TO ANOTHER

[(a) IN GENERAL.—Except as otherwise provided in this section, any] *Any* law regulation that has the effect of transferring an outlay, receipt, or revenue of the United States from one fiscal year to an adjacent fiscal year shall not be treated as [altering] *reducing* the deficit or producing net deficit reduction in any fiscal year for purposes of the Congressional Budget Act of 1974 and the Balanced Budget and Emergency Deficit Control Act of 1985.

[(b) EXCEPTIONS.—Subsection (a) shall not apply if the law making the transfer stipulates that such transfer—

[(1) is necessary (but secondary) result of a significant policy change;

[(1) provides for contingencies; or

[(3) achieves savings made possible by changes in program requirements or by greater efficiency of operations.] [6]

---

42 U.S.C. § 911

SOCIAL SECURITY ACT

(Section 710(a))

§ 911. Budgetary treatment of trust fund operations

(a) FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND; FEDERAL DISABILITY INSURANCE TRUST FUND.—The receipts and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, and the taxes imposed under sections 1401(a), 13101(a), and 3111(a) of Title 26, shall not be included in the totals of the *operating* budget of the United States Government as submitted by the President or of the congressional budget and shall be exempt from any general budget limitation imposed by statute on expenditures and net lending (budget outlays) of the United States Government.[7]

---

[5] Gramm-Rudman-Hollings, § 275(b), 2 U.S.C. § 901 note (1988).
[6] 2 U.S.C. § 909 (1988).
[7] 42 U.S.C. § 911(a) (1988).

○